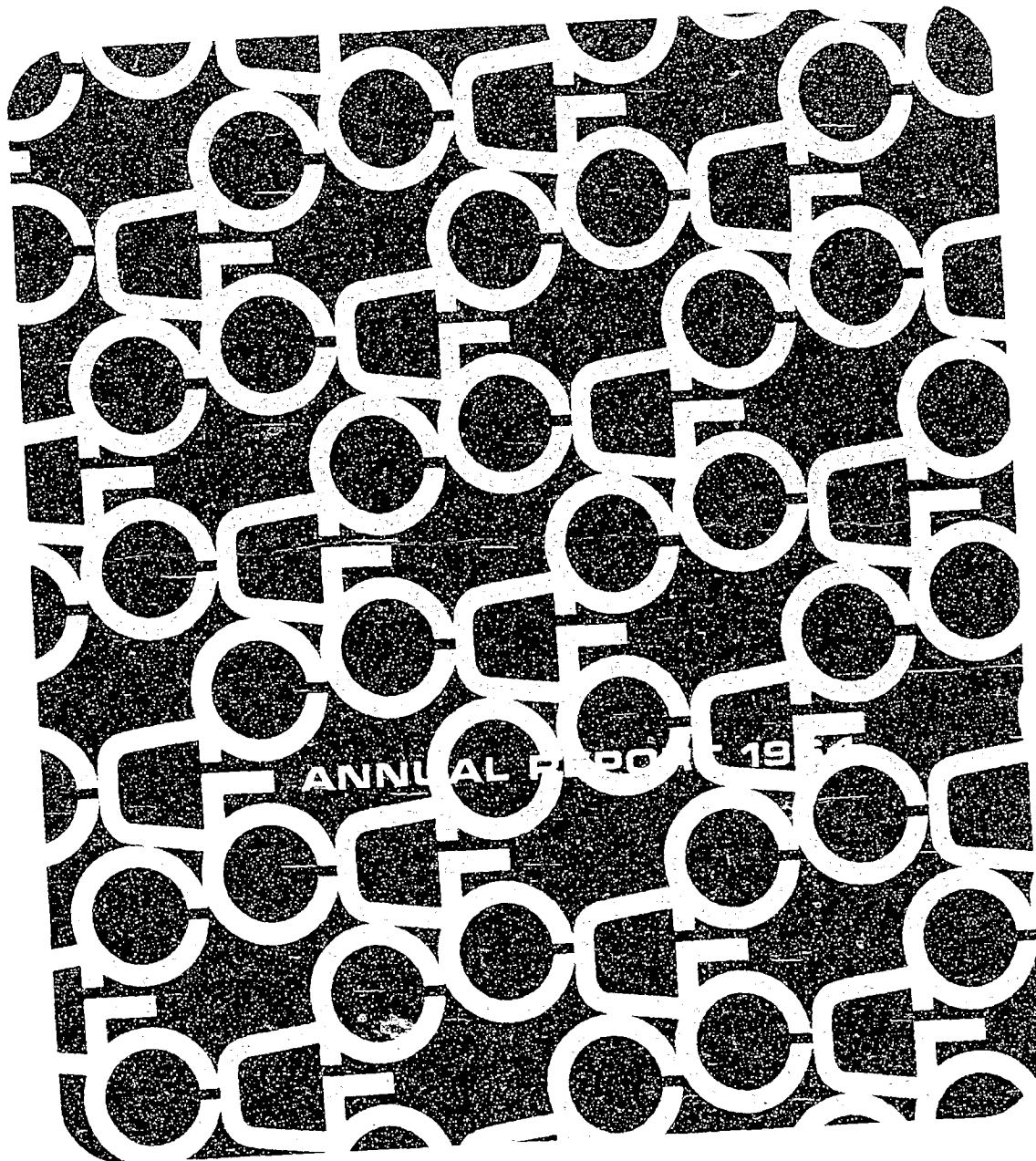


GENERAL CINEMA CORPORATION





BOSTON, MASSACHUSETTS

RICHARD A. SMITH, *President*
MELVIN R. WINTMAN, *Executive Vice President*
SAMUEL SELETSKY, *Vice President*
EDWARD E. LANE, *Treasurer-Controller*
EMMANUEL KURLAND, *Secretary*
HAROLD SINGER, *Assistant Secretary*
ROBERT J. KURLAND, *Assistant Secretary*

RICHARD A. SMITH, *Chairman of the Board*
S. SIDNEY STONEMAN, *Chairman of Executive Committee*
EMMANUEL KURLAND
MAURICE M. WHEELER
CHARLES L. MOORE

Old Colony Trust Company, Boston, Massachusetts
Bankers Trust Company, New York, New York

The First National Bank of Boston, Boston, Massachusetts
Morgan Guaranty Trust Company of New York, New York, N. Y.



TO THE SHAREHOLDERS OF GENERAL CINEMA CORPORATION

1964 was the third successive year in which our company attained new records in revenues and earnings. Comparative year-to-year gains in both volume and profit were the largest in company history, with revenues advancing 33% and net profit 60% over the previous fiscal year.

Several factors have combined to make such gratifying growth possible:

Aided in part by the continuing trend toward the establishment of first-run picture policies in many suburban areas, business in our drive-in theatre chain exceeded results in previous years.

The sale during the year of a group of indoor resort theatres eliminated losses from these unprofitable units and yielded, in addition, a non-recurring gain of \$89,948.

In the shopping center theatre division not only did revenues increase almost 60% over last year, but, as a number of units gathered momentum in their second and third years of operation, profits in the division showed an even larger gain.

Our captive vending and concession division generated 19.3% more revenues, reflecting the steady increases from the expanding shopping center theatre chain and increased attendance in all divisions.

The continued vigor of the entire theatre industry, as recognized in a number of authoritative publications during the past year, also produced its share of benefits for our company. The NEW YORK HERALD TRIBUNE noted that "*the theatre business once again is on the upswing*" and credited it "*to aggressive*

expansion into suburbia." In a more recent article, BARRON'S headlined their opinion that "*New Theatres, Attractive Films Are Paying Off at the Box Office.*" THE WALL STREET JOURNAL stated that the nation's box office receipts were up 4% over the previous year. Including new units, General Cinema's box office receipts were up 35%.

FINANCIAL

The comparison chart on page 3 highlights our progress over the past four years. Record earnings for fiscal 1964 were \$1,437,033 or \$1.42 a share on the 1,011,899 shares outstanding. This includes the non-recurring profit of \$89,948 on the disposition of the indoor theatres previously mentioned and compares with net profit of \$902,875 or 89¢ a share in 1963. Total revenues increased 33% to a record \$20,815,058 compared to the previous year's peak of \$15,637,297. Other categories showed equally impressive gains. Cash income (net profit plus depreciation) increased to \$2,470,533 or \$2.44 per share from \$1,724,241 or \$1.70 a share last year. Total assets reached \$19,761,746 and net worth rose to \$9,785,621 or \$9.67 per share, an 11% increase over the \$8.71 a share in the prior year.

Throughout the entire expansion period since becoming a public company in June of 1960, we have continued our policy of paying a 50¢ per share annual dividend. This year, in addition, we distributed a 10% stock dividend. It is our intention to continue the same cash dividend policy on the increased number of shares.

COMPANY GROWTH

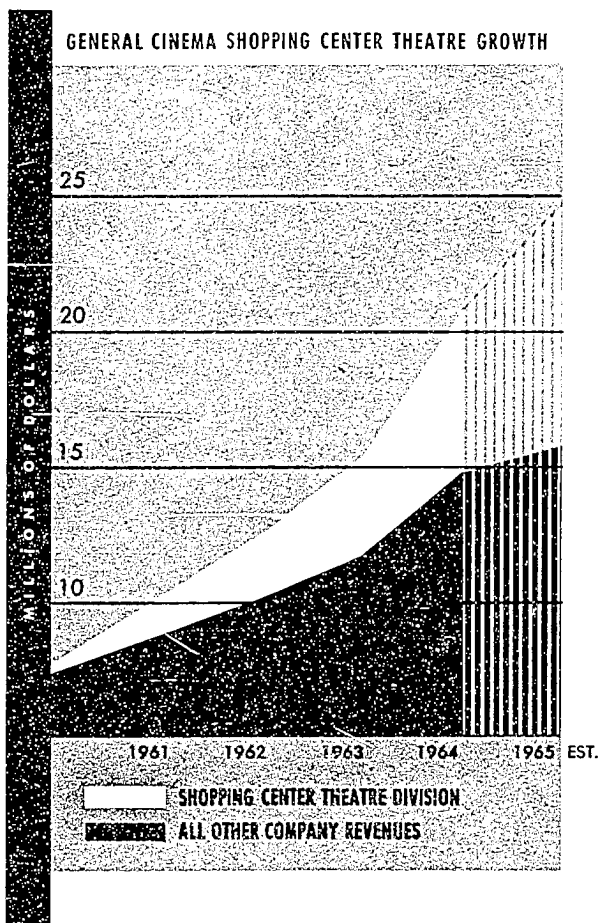
During the year we accelerated our shopping center theatre expansion. On October 31, 1964, we had 23 units in operation, almost double the 12 operating at the end of fiscal 1963. The chart on this page graphically illustrates the important strides made in this division. Revenue from shopping center theatres rose to 29% of total company volume and bids fair to surpass the contribution of the drive-in theatres, presently the largest operating division.

Anticipation of greater competition for locations from other major theatre chains prompted our decision to step up shopping center theatre development in 1964. This move, in addition to our early entry into the field and resultant pace-setting position, has enabled us to continue to obtain excellent sites, which should assure our further vigorous expansion during the next few years.

As a part of this accelerated expansion program we expect to open 18 to 25 new shopping center theatres by the end of the current year, with 2 already in operation and 14 more under construction. Public acceptance of our twin theatres, a concept which we pioneered, has encouraged us to commit nearly half of our new theatre projects to twins. The inside back cover of this report lists all our operating units plus theatres under construction and some, but not all, of those proposed for near-term completion. You will note increasing attention to Western and Southwestern market areas as the company progresses toward one of its goals — becoming a national theatre chain. The shopping center theatres will contribute the major portion of company growth this year, and their revenues should rise to approximately 38% of total income in 1965, thus becoming the largest of our five divisions. Cash flow should obviate any need for additional equity financing.

The bowling division, which represents only 10% of total company revenues, incurred a small loss in 1964. We are in the process of effecting further economies of operation in this division. It is our opinion that these steps, coupled with increasing public acceptance of our bowling centers and reduced charges for interest, should produce a better picture in 1965.

I am sure that our stockholders are as pleased as we are with the step taken in July, 1964, to list the company's shares on the American Stock Exchange. This has gained further recognition and stature for our company and added to the liquidity of our shares.



OUTLOOK

We have moved into the last half of a decade which, many economists believe, will see the greatest advances in our history. The factors contributing to this growth should continue to stimulate the leisure-time industry and produce marked benefits to the family-oriented entertainment market, which the movie industry dominates by a wide margin.

General Cinema's strong and expanding position in the suburban theatre field will allow it to capitalize on the anticipated increase in the economic growth of the country.

For the current year I look forward to another substantial gain in company revenues. Earnings, too,

should continue their upward trend. However, we cannot make any projections this early because of the large number of new shopping center theatres scheduled for opening in the months ahead. As in the past, I will keep you informed with interim reports of our progress during the year.

Sincerely yours,

Richard A. Smith

RICHARD A. SMITH, President

February 19, 1965



FOUR YEAR COMPARISON YEAR ENDED OCTOBER 31

	1964	1963	1962	1961
Net worth	\$ 9,785,621	\$ 8,809,028	\$ 8,361,160	\$ 8,041,407
Total assets	19,761,746	17,656,483	13,461,996	12,632,088
Revenues	20,815,058	15,637,297	12,799,231	10,422,871
Net income	1,345,085*	902,875	770,520	726,863
Cash income (Net income plus depreciation)	2,380,585*	1,724,241	1,469,656	1,242,833
Per share data — Number of shares outstanding**	1,011,899	1,011,783	1,010,628	1,009,473
Net income	\$1.33*	\$.89	\$.76	\$.72
Cash income	\$2.35*	\$1.70	\$1.45	\$1.23

*Not including special credit of \$89,948 from sale of unconsolidated affiliated company.

**Adjusted to reflect 10% stock dividend paid October 30, 1964.



GENERAL CINEMA CORPORATION AND SUBSIDIARIES

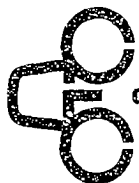
ASSETS	1964	1963
CURRENT ASSETS		
Cash	\$ 1,367,594	\$ 867,269
Time deposits, United States Treasury bills, etc. —		
At cost (Approximates market)	2,100,000	2,020,037
Mortgage and other notes receivable —		
Due within one year	38,705	66,340
Sundry deposits and receivables	276,517	137,275
Concession inventories — At cost	124,346	121,410
Other current assets	301,515	298,788
	<u>\$ 4,208,677</u>	<u>\$ 3,511,119</u>
INVESTMENTS AND ADVANCES		
Unconsolidated affiliated companies —		
At underlying book value (Note 1)	\$ 496,647	\$ 471,129
Other — At cost	120,186	100,100
	<u>\$ 616,833</u>	<u>\$ 571,229</u>
FIXED ASSETS — AT COST		
Net of accumulated depreciation, amortization		
and investment credit (Note 2)	<u>\$12,503,763</u>	<u>\$11,470,664</u>
OTHER ASSETS (Note 3)	<u>\$ 2,432,473</u>	<u>\$ 2,103,471</u>
	<u><u>\$19,761,746</u></u>	<u><u>\$17,656,483</u></u>

The accompanying notes are an integral part of this statement.

CONSOLIDATED BALANCE SHEET OCTOBER 31, 1964 AND 1963

LIABILITIES AND STOCKHOLDERS' EQUITY	1964	1963
CURRENT LIABILITIES		
Long-term debt — Due within one year	\$ 704,907	\$ 770,501
Accounts payable	1,383,286	1,271,147
Accrued taxes	1,142,360	681,183
	<u>\$ 3,230,553</u>	<u>\$ 2,722,831</u>
 DEFERRED INCOME (Note 4)	 <u>\$ 282,384</u>	 <u>\$ 319,277</u>
 DEFERRED FEDERAL INCOME TAXES (Note 5)	 <u>\$ 176,240</u>	 <u>\$ 178,781</u>
 LONG-TERM DEBT (Note 6)	 <u>\$ 6,286,948</u>	 <u>\$ 5,626,566</u>
 STOCKHOLDERS' EQUITY		
Common stock — No par value (Note 7)		
Authorized — 1,470,000 shares		
Issued — 1964 — 1,011,899 shares		
— 1963 — 925,819 shares	\$ 3,479,745	\$ 2,254,605
Paid-in capital (Note 8)	82,620	10,000
Retained earnings (Notes 1 and 9)	6,223,256	6,557,540
	<u>\$ 9,785,621</u>	<u>\$ 8,822,145</u>
Less: Treasury stock — 6,016.5 shares — At cost		13,117
	<u>\$ 9,785,621</u>	<u>\$ 8,809,028</u>
	<u><u>\$19,761,746</u></u>	<u><u>\$17,656,483</u></u>

The accompanying notes are an integral part of this statement.



GENERAL CINEMA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF

INCOME AND RETAINED EARNINGS YEARS ENDED OCTOBER 31, 1984 AND 1983

	1984	1983
REVENUES	<u>\$20,815,058</u>	<u>\$15,637,297</u>
COSTS AND EXPENSES		
Film, payroll and other costs	\$10,641,948	\$ 8,042,101
Operating and administrative expenses	6,761,982	5,172,046
Interest	217,113	119,538
Depreciation	1,033,500	821,366
	<u>\$18,654,543</u>	<u>\$14,155,051</u>
OPERATING INCOME	\$ 2,160,515	\$ 1,482,246
Capital gains and losses — Net	<u>47,533</u>	<u>56,915</u>
INCOME BEFORE FEDERAL INCOME TAXES	\$ 2,208,048	\$ 1,539,161
Provision for Federal income taxes	<u>891,347</u>	<u>620,418</u>
INCOME AFTER FEDERAL INCOME TAXES	\$ 1,316,701	\$ 918,743
Equity in net gain or (loss) of unconsolidated affiliated companies	<u>30,384</u>	<u>(15,868)</u>
INCOME BEFORE SPECIAL CREDIT	\$ 1,347,085	\$ 902,875
SPECIAL CREDIT		
Gain on sale of unconsolidated affiliated company	<u>89,948</u>	<u> </u>
NET INCOME	\$ 1,437,033	\$ 902,875
RETAINED EARNINGS — BEGINNING OF YEAR	6,557,540	6,113,672
Adjustment of prior years' taxes, etc.		768
Dividends paid — Cash — \$.50 per share	(462,355)	(459,775)
— 10% stock dividend	<u>(1,308,962)</u>	<u> </u>
RETAINED EARNINGS — END OF YEAR	<u>\$ 6,223,256</u>	<u>\$ 6,557,540</u>

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NOTES:

1. PRINCIPLES OF CONSOLIDATION

All wholly-owned subsidiaries are included in the consolidated statements; all intercompany accounts have been eliminated. Companies in which the Company owns 50% of the outstanding stock have not been consolidated; the investment therein is stated at its underlying book value.

2. FIXED ASSETS (Partially pledged — Notes 6 and 11)

Fixed assets are composed of:

Land	\$ 1,657,743
Buildings	1,904,589
Leasehold improvements	5,326,263
Bowling lanes and related equipment	4,630,217
Equipment, fixtures, etc.	4,102,430
	<u>\$17,621,242</u>
Less: Accumulated depreciation, amortization and investment credit	5,117,479
	<u>\$12,503,763</u>

Two subsidiaries have issued personal property mortgages totaling \$52,000 to landlords to secure performance of lessee's covenants under the leases.

3. OTHER ASSETS

Other assets are composed of:

	October 31	
	1964	1963
Mortgage and other notes receivable — Due after one year	\$ 70,000	\$ 20,000
Accounts receivable from sale of other investments — Due after one year	289,800	289,800
Unamortized debt discount and expense	273,104	304,901
Unamortized leasehold expense	284,058	199,302
Deposits on leases	448,753	132,944
Prepaid rent	215,039	325,945
Goodwill	133,904	133,904
Unallocated costs — Unopened units	649,568	647,698
Other	68,247	48,977
	<u>\$2,432,473</u>	<u>\$2,103,471</u>

4. DEFERRED INCOME

Deferred income consists of:

Net gain, after Federal income taxes, to be realized in future years on installment sales of land and other investments	\$211,788
Deferred Federal income taxes attributable thereto	70,596
	<u>\$282,384</u>

5. DEFERRED FEDERAL INCOME TAXES

Depreciation is computed on the straight line method for financial reporting but on an accelerated method, where practicable, for Federal income tax purposes. The tax credits applicable to the increased depreciation taken for Federal income tax purposes (\$101,240) and to the proceeds from the operations of certain theatres which will be reported in future years (\$75,000) as described in Note 10 are carried on the balance sheet as "Deferred Federal Income Taxes."

6. LONG-TERM DEBT

Long-term debt is composed of the following:

	Amount	Interest Rates	Maturity
Parent company — Unsecured notes	\$3,166,667	5¼-5½%	1968-78
Subsidiary — Unsecured contract payable	27,122	None	1966
Subsidiaries — Mortgages on real estate	942,079	5½-7%	1971-83
Subsidiary — Mortgage on theatre equipment	22,500	4%	1967
Subsidiaries — Conditional sales contracts on bowling lanes, pinsetters, equipment and theatre equipment	2,128,580	Included in face amount of note	Various to 1973
	<u>\$6,286,948</u>		

See Note 9 for restriction on payment of dividends.

7. STOCK OPTIONS

On April 10, 1961 the stockholders approved a restricted stock option plan. Under this plan key employees, (but not directors) have been granted options to purchase 38,500 shares of common stock (limited to 5,500 shares per participant) at prices not less than 85% of the fair market value at the time options were granted. The options are exercisable 20% per year beginning with the second year with a right of cumulation. They are not transferable.

NOTES (CONTINUED)

and expire six years from date of grant.

On April 13, 1964 the stockholders approved the grant of a restricted stock option covering 16,500 shares of common stock at \$8.16 per share (85% of the fair market value at the time of grant). This option is exercisable after June 30, 1964, at the rate of 550 shares per month for a period of six months and 275 shares per month thereafter on a cumulative basis. At October 31, 1964 no part of this option had been exercised.

On April 13, 1964 the stockholders approved a qualified stock option plan. Key employees (but not directors) may be granted options to purchase 22,000 shares of common stock at prices not less than 100% of the fair market value on the date the option is granted. No options have been granted under this plan at October 31, 1964.

The following is a summary of the stock options outstanding.

Options outstanding — November 1, 1963	31,500
Options granted	18,500
Increase in number of shares to reflect stock dividend paid	4,976
Options exercised	(240)
Options outstanding — October 31, 1964	<u>54,736</u>

The above stock options were granted at prices ranging from \$7.27 to \$14.55 per share.

The aforementioned data have been adjusted for the 10% stock dividend paid on October 30, 1964.

8. PAID-IN CAPITAL

The increase in paid-in capital represents the excess of the market value over the cost of Treasury stock issued in connection with the stock dividend.

9. RESTRICTION ON PAYMENT OF DIVIDENDS

Loan agreements with The First National Bank of Boston and the State Mutual Life Assurance Company of America prohibit the payment of dividends other than stock dividends or redemption or purchase of any stock of the Company unless, after giving effect

thereto, the aggregate amount of all distributions subsequent to October 31, 1962 does not exceed the sum of \$600,000 plus consolidated net income (as defined) from November 1, 1962 to the end of the quarter prior to such distribution; provided, however, that no distribution shall be permitted which violates or results in a default under any other section of the agreements. At October 31, 1964, \$1,939,442 was available for dividends. The Company was not in default under any provisions of the above agreements at October 31, 1964.

10. ACQUISITION OF THEATRE LEASES

During 1963 some of the Company's subsidiaries leased nine theatres for approximately 25 years under leases providing for security deposits aggregating \$390,000. Payments totaling \$219,000 were made during the year ended October 31, 1964 on account of such deposits, the balance to be paid in four equal annual installments. The leases provide for additional deposits to be made if certain requirements relating to working capital and net worth are not maintained. No additional deposit is due under these provisions at October 31, 1964.

These theatres were operated by the lessor on behalf of the Company from April 10, 1963 to October 31, 1963. Net profit from operations for this period is being reported for tax purposes over a period of five years commencing November 1, 1963.

11. COMMITMENTS AND CONTINGENCIES

The aggregate minimum annual amount of rentals of the Company and subsidiaries under leases in effect at October 31, 1964 for terms expiring after October 31, 1967 was approximately \$2,665,000.

Medford Bowling, Inc. (a nonaffiliated company) has issued an irrevocable option to the Company to purchase all of its outstanding stock for \$95,000, exercisable until February 1975, and providing for the placing of this stock with an escrow agent to guarantee performance. The Company has guaranteed payment of a second mortgage of Medford Bowling, Inc. in the amount of \$95,000. It has also pledged land costing \$170,000 as security for a first mortgage of this company.

ACCOUNTANTS' OPINION

TO THE BOARD OF DIRECTORS

GENERAL CINEMA CORPORATION

We have examined the consolidated balance sheet of GENERAL CINEMA CORPORATION AND SUBSIDIARIES as of October 31, 1964 and the related consolidated statement of income and retained earnings for the year then ended. As to a number of subsidiaries and as to the unconsolidated affiliated companies we have accepted the reports of other independent public accountants (Goodman & Goodman and Peat, Marwick, Mitchell & Co.). Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, based upon our examination as described above and the reports of other independent public accountants, the aforementioned financial statements and the notes thereto present fairly the financial position of GENERAL CINEMA CORPORATION AND SUBSIDIARIES as of October 31, 1964 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

J. K. LASSER & COMPANY

New York, New York
January 6, 1965



IN OPERATION

CONNECTICUT *Hartford* – Meadows Family Drive-In
 FLORIDA *Miami* – Le Jeune Drive-In
 ILLINOIS *Chicago* – 66 Drive-In
 INDIANA *Indianapolis* – Pendleton Pike Drive-In
Hammond-Gary – Ridge Road Drive-In
 IOWA *Council Bluffs* – Council Bluffs Drive-In
Des Moines – Des Moines Drive-In
 MARYLAND *Baltimore* – Timonium Drive-In
 MASSACHUSETTS *Natick* – Natick Drive-In
 MICHIGAN *Detroit* – East Side Drive-In
 West Side Drive-In
 MISSOURI *Kansas City* – Hiway 40 Drive-In
St. Louis – Airway Drive-In
 Manchester Drive-In
 NEBRASKA *Omaha* – West Dodge Drive-In
 NEW JERSEY *Hackensack* – Hackensack Drive-In
Jersey City – Roosevelt Drive-In

NEW JERSEY *Newark* – Livingston Drive-In
 Morris Plains Drive-In
 Route 3 Drive-In
 Union Drive-In
Paterson – Paramus Drive-In
 Route 46 Drive-In
 Totowa Drive-In
 Troy Hills Drive-In
 NEW YORK *Rochester* – Central Drive-In
 Empire Drive-In
Westchester Elmsford Drive-In
 Hollowbrook Drive-In
 Starlight Drive-In
 OHIO *Cincinnati* – Montgomery Drive-In
Cleveland – East Side Drive-In
 PENNSYLVANIA *Pittsburgh* – A B C Drive-In
 WISCONSIN *Milwaukee* – Bluemound Drive-In

FLORIDA *Daytona Beach* – Bellair Cinema
Fort Lauderdale – Cinema I and II
Miami – Cutler Ridge Cinema
Orlando – Parkwood Cinema
 Seminole Cinema
Pompano Beach – Cinema
Sarasota – Bayshore Cinema
Tampa – Britton
 ILLINOIS *Chicago* – Mt. Prospect Cinema
 MARYLAND *Baltimore* – Harundale Cinema
 MASSACHUSETTS *Framingham* – Cinema I and II
Peabody – Cinema I and II

MISSOURI *St. Louis* – Cinema I and II
 Grandview Cinema
 NEW JERSEY *Camden* – Cherry Hill Cinema
Menlo Park – Cinema
Plainfield – Blue Star Cinema
Sayreville – Madison Cinema
 NORTH CAROLINA *Charlotte* – Cinema I and II
 OHIO *Cleveland* – Southgate Cinema
 TENNESSEE *Memphis* – Plaza
 TEXAS *Austin* – Cinema
Dallas – Big Town Cinema
Fort Worth – Richland Plaza Cinema
San Antonio – Cinema I and II

FLORIDA *West Palm Beach* – Carefree
 HOLLYWOOD – Cinema
 MASSACHUSETTS *Boston* – Uptown
Framingham – Gorman
 St. George
Gardner – Orpheum
Ipswich – Strand
Norwood – Cinema

MISSOURI *St. Louis* – Gem
 NEW HAMPSHIRE *Laconia* – Colonial
 NEW JERSEY *East Orange* – Beacon
Newark – Elwood
 Orange – Palace Cinema
 OHIO *Akron* – Palace
 RHODE ISLAND *Westerly* – United

LOUISIANA *New Orleans* – Mardi Gras Bowl
 MAINE *Lewiston* – Holiday Lanes
 Holiday Lanes-Northwood
 MASSACHUSETTS *Boston* – Holiday Lanes
Dartmouth – Holiday Lanes
Gloucester – Holiday Lanes
Medford – Holiday Lanes
Peabody – Holiday Lanes

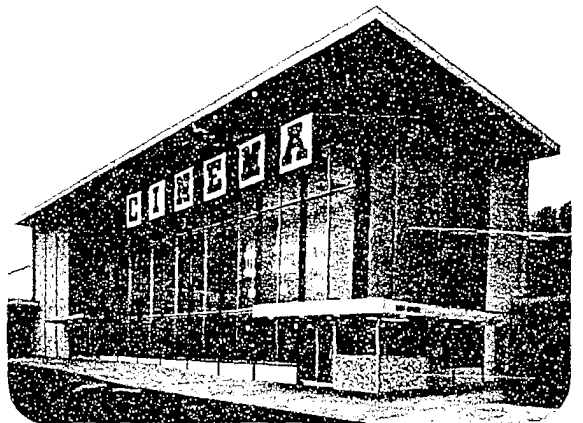
MASSACHUSETTS *Somerset* – Holiday Lanes
Stoneham – Holiday Lanes
Swampscott – Holiday Lanes
Westport – Holiday Lanes
 NEW YORK *New York* – Bellerose Lanes
 OHIO *Cleveland* – Carousel Lanes
 RHODE ISLAND *Westerly* – Holiday Lanes

UNDER CONSTRUCTION AND PROPOSED

COLORADO *Denver* (New Englewood)
Denver (Villa Italia)
Denver (Westland)
 CONNECTICUT *New Haven* (Connecticut Post Ctr.)
 ILLINOIS *Chicago* (Korvette Ctr. at Elmhurst)
Chicago (Twin at Ford City)
Chicago (Randhurst)
 MARYLAND *Baltimore* (Perring Plaza)
 MASSACHUSETTS *Brockton* (Twin at Westgate)
Saugus (New England Ctr.)
 MICHIGAN *Detroit* (Twin at Livonia Mall)
Detroit (Twin at Macomb Mall)
Detroit (Twin at Warren)
 MINNESOTA *Minneapolis* (Twin at Southdale)
 MISSOURI *St. Louis* (South County)

NEW JERSEY *Menlo Park* (Twin Addition)
Newark (Essex Green)
Paterson (Route 46, Totowa)
 NEW YORK *Buffalo* (Twin at Boulevard Mall)
Westchester (Central Park Ave., Yonkers)
Westchester (Hartsdale)
 PENNSYLVANIA *Philadelphia* (Twin at Northeast)
Philadelphia (Abington)
Philadelphia (Clifton Heights)
 SOUTH CAROLINA *Charleston* (Ashley Plaza)
 TEXAS *Houston* (Twin at Gulfgate)
Houston (Twin at Meyerland)
Houston (Twin at Northline)
Dallas (Twin at NorthPark)
Waco (Lake Air)
 WISCONSIN *Milwaukee* (West Allis)

ANNUAL REPORT October 31, 1964



GENERAL CINEMA CORPORATION 480 Boylston St., Boston, Massachusetts